Investing for tomorrow
Delivering today

The Group delivered significant growth in margin and profit in this financial year as inflation eased and market conditions stabilised after the disruption of recent years.

The year also brought an increase in revenue as a result of good growth in sales at Primark and many of our food businesses. Group revenue increased accordingly to £20.1bn, 4% higher than the previous year at constant currency and 2% higher at actual exchange rates.

Primark's sales increased due to its rollout of new stores in both Europe and the US and consistent focus on its value proposition. In Grocery, both our leading international brands and our US-focused brands performed well with astute marketing and notable new product launches. Our yeast and bakery ingredients business, AB Mauri, delivered higher sales in Ingredients, while Sugar sales were strong against a previous year impacted by poor growing conditions in the UK. Sales in Agriculture fell due to soft market demand.

This margin improvement across the Group followed the restoration of some normality in our markets and good execution by our businesses. It was particularly pronounced at Primark where supply chain costs fell year-on-year following the previous year's decision not to pass the full cost of inflation on to the customer. Similarly, lower input costs supported higher margins in Grocery and in Ingredients. Sugar profitability was also well ahead on much improved year-on-year production in the UK despite lower European prices impacting performance as the financial year closed. Improved margin in Agriculture offset lower revenues.

The strong margin led to a substantial year-on-year increase in Group adjusted operating profit to £1,998m, an increase over the previous year of 32% at actual exchange rates and 38% at constant currency. Adjusted profit before tax rose 33% to £1,957m and adjusted earnings per share increased by 39% to 196.9p.

Gross investment increased 9% to £1.3bn as we invested further in both Primark and our food businesses. Primark's investments were centred not only on new stores but also on technology to improve capabilities needed to drive growth. We also invested in enhanced production capacity for our Australian bread business, for our enzymes and yeast extraction plants in our specialty ingredients division, and for our Tanzanian sugar business expansion. We completed some modest acquisitions in the year, principally for our Grocery and Ingredients businesses.

Capital structure and shareholder returns

Our capital allocation policy is for the Group's financial leverage, expressed as the ratio of total net debt including lease liabilities to adjusted EBITDA, to be well under 1.5 times whilst financial leverage consistently below 1.0 times may indicate a surplus capital position. Surplus capital may be returned to shareholders by special dividends or share buybacks.

During the financial year we continued our share buyback programmes. We completed the outstanding amount from our first £500m share buyback programme commenced in the previous financial year. We subsequently initiated our second £500m share buyback programme in November 2023, which we completed in August 2024. We then extended this programme by a further £100m, which is now complete.

"We are very clear in our approach to sustainability, focusing on what matters, doing what needs to be done on reporting but balancing this with obtaining an acceptable commercial return."

The Group had very strong free cashflow in the year, generating £1,355m. Therefore, at the end of the financial year the financial leverage ratio was 0.7x times. The Group continues to prioritise investment in its businesses and we expect to maintain investment in the medium term at a level in line with last year's level. Nevertheless, given the outlook for the Group, the strength of the balance sheet and the underlying cash generation of the business, the Board has decided to continue to return additional capital to shareholders. Therefore, the Group will continue with a buyback programme, targeting an additional amount of £500m over the next 12 months.

In addition, the Group is declaring a special dividend of 27.0p per share. The Board is proposing a final dividend of 42.3p per share, which together with the special dividend will be paid on 10 January 2025 to shareholders on the register on 13 December 2024. Taken with the interim dividend of 20.7p per share, the total dividend equates to 90.0p per share, an increase of 50% on the total dividend of 60.0p in 2023.

Our commitment to good business

The Board has ultimate responsibility for overseeing business practices and this Group has a clear sense of social purpose. We work hard to provide safe, nutritious and affordable food and good quality, affordable clothing to millions of customers worldwide every day. Only if we do these well should we make a profit. So our approach to ESG and supply chains is aligned to our long-term and patient approach to value creation.

This year we made further good progress on decarbonising Sugar in the UK. We completed further improvements to water treatment at our yeast and bakery ingredients business. Primark also made significant progress in reducing its environmental footprint as well as helping its suppliers work towards the same objective. We are very clear in our approach to sustainability, focusing on what matters, doing what needs to be done on reporting but balancing this with obtaining an acceptable commercial return.

Board

In a year notable for Board succession planning, I would like to start by thanking Wolfhart Hauser for his wise and perceptive counsel. Wolfhart stepped down on 18 January 2024 after nine years on the Board and his service to the Company was much appreciated. Kumsal Bayazit Besson joined as a non-executive director on 1 December 2023 and was duly appointed a member of the Audit and Remuneration Committees.

More recently we welcomed Loraine Woodhouse as a non-executive director with effect from 1 October 2024. Loraine brings extensive experience of financial disciplines in retail, food and property. She became a member of the Audit and Remuneration Committees on appointment and will chair the Audit Committee from 24 April 2025 when Richard Reid reaches nine years' tenure as a non-executive director.

Outlook

Primark is targeting mid-single digit sales growth in 2025 as we continue to execute our store rollout programme in our growth markets in Europe and the US and to focus on like-for-like sales growth in our more mature markets. This will be supported by investment in initiatives across product, digital and brand. We expect adjusted operating margin to remain broadly in line with this year's level, as gross margins stabilise and we step up investment to drive sustainable growth. Over the medium and long term, we continue to have significant white space opportunities in our growth markets. We are targeting our store rollout programme to contribute around 4% to 5% per annum to Primark's total sales growth for the forseeable future.

In Grocery, we will continue to drive sales momentum, underpinned by increased marketing investment. As expected, the strong performance in our US-focused businesses during 2024 began to normalise towards the end of the year and we expect to see the full year effect in 2025. In Ingredients, we expect continued growth in yeast and bakery ingredients and improved growth in speciality ingredients.

In Sugar, as previously announced, we expect the reduction in European sugar pricing in Q4 2024 to impact performance in our sugar business significantly in 2025, with adjusted operating profit for the overall Sugar segment expected to be in the range of £50m to £75m. However, we expect profitability to recover in 2026 to be more in line with 2024, as a result of the lower beet prices that have been contracted and a rebalancing of supply and demand in the market. In Agriculture, we expect some improvement, particularly as our grain trading business recovers in the UK.

The Group is well positioned for the medium term, supported by strong cash generation and good momentum in our Retail and food businesses.

Michael McLintock
Chairman